

UTAH COUNTIES INSURANCE POOL

BOARD OF TRUSTEES MEETING

Friday, April 15, 2011, 1:00 p.m.
Davis Conference Center, Zephyr Room
1651 North 700 West, Layton, UT

AGENDA

1:00 Lunch Provided

1:30 Call to Order

Kay Blackwell

ITEM

1 Review/Excuse Board Members Absent

Kay Blackwell

2 Approve March 17, 2011 Meeting Minutes

Steve Wall

3 Review/Approve Investment Options

Johnnie Miller

4 Audit Committee Report

Steve Wall

5 Loss Control Manager's Report

Mark Brady

6 Set Date and Time for Closed Meeting
to Discuss Character, Professional Competence, Physical/Mental Health of an Individual

Kay Blackwell

7 Action on Personnel Matters

Kay Blackwell

8 Set Date and Time for Closed Meeting
to Discuss Pending or Reasonably Imminent Litigation

Kay Blackwell

9 Action on Litigation Matters

Kent Sundberg

10 Chief Executive Officer's Report

Johnnie Miller

11 Ratification and Approval of Payments and Credit Card Transactions

Steve Wall

12 Other Business

Kay Blackwell



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Notice Title:

Board Meeting

Government Type:

Special Districts

Entity:

Utah Counties Insurance Pool

Public Body Name:

Board of Trustees

Notice Subject:

Insurance

Notice Type:

Meeting

Street Address:

1651 North 700 West

Street Address continued:

City:

Layton

Zip:

84041

Start Date:

04/15/11 1:00 PM

End Date:

04/15/11 4:30 PM

Description / Agenda:

Lunch Provided
Call to Order
Review/Excuse Board Members Absent
Approve March 17, 2011 Meeting Minutes
Review/Approve Investment Options
Audit Committee Report
Loss Control Manager's Report
Set Date and Time for Closed Meeting
to Discuss Character, Professional Competence, Physical/Mental Health of an Individual
Action on Personnel Matters
Set Date and Time for Closed Meeting
to Discuss Pending or Reasonably Imminent Litigation
Action on Litigation Matters
Chief Executive Officer's Report
Ratification and Approval of Payments and Credit Card Transactions
Other Business

ADA:

In compliance with the Americans with Disabilities Act, individuals needing special accommodations (including auxiliary communicative aids and services) during this meeting should notify Sonya White at the Utah Counties Insurance Pool, PO Box 760, Midvale, UT 84047, or call 800-339-4070, at least three days prior to the meeting.

Electronic Participation:

Any Member of the Utah Counties Insurance Pool Board of Trustees may participate telephonically.

Other:

Emergency Notice:

No

Send copy of notice to:

editor@sltrib.com

Attachments

There are attachments associated with this notice.



Utah Counties Insurance Pool
Supporting Your Goals Since 1992

BOARD OF TRUSTEES MEETING MINUTES

April 15, 2011, 1:00 p.m.
Davis Conference Center, Layton, Utah

BOARD MEMBERS PRESENT

Jim Eardley, *Vice President*, Washington County Commissioner
Steve Wall, *Secretary-Treasurer*, Sevier County Clerk-Auditor
Craig Dearden, Weber County Commissioner
Brad Dee, Weber County Human Resources
Marilyn Gillette, Tooele County Clerk
Jerry Hurst, Tooele County Commissioner
Bret Millburn, Davis County Commissioner
Cameron Noel, Beaver County Sheriff
Kent Sundberg, Utah County Deputy Attorney

BOARD MEMBERS ABSENT

Kay Blackwell, *President*, Piute County Commissioner
Bruce Adams, San Juan County Commissioner
Gary Anderson, Utah County Commissioner

OTHERS PRESENT

Mark Brady, UCIP Loss Control Manager
Johnnie Miller, UCIP Chief Executive Officer
Sonya White, UCIP Manager of Administration

Call to Order

Jim Eardley called this meeting of the Utah Counties Insurance Pool Board of Trustees to order at 1:00 p.m. on April 15, 2011 and welcomed all in attendance.

Review/Excuse Board Members Absent

Brad Dee made a motion to excuse Kay Blackwell, Bruce Adams and Gary Anderson from this meeting. Bret Millburn seconded the motion, which passed unanimously.

Approve March 17, 2011 Meeting Minutes

The minutes, of the Board of Trustees meeting held March 17, 2011, were previously sent to the Board Members for review. Steve Wall made a motion to approve the March 17, 2011 meeting minutes as written. Brad Dee seconded the motion, which passed unanimously (see attachment number one).

Review/Approve Investment Options

Johnnie Miller reviewed the historical investment strategies, the current investment strategies and the investment options, pursuant to the presentations provided by a Certified Investment Adviser and a Certified Dealer (see attachment number two). Based on the cost/benefit of the available options, it was recommended that the Board utilize a Money Management Council Certified Investment Advisor. Steve Wall made a motion to revise the UCIP Investment Policy that will limit the portion of the total portfolio available for actively managed investments. Craig Dearden seconded the motion, which passed unanimously. Steve Wall made a motion to forgo a Request for Proposal and approve Zions Wealth Advisors as the Pool's Investment Advisors. Jerry Hurst seconded the motion, which passed unanimously.

Audit Committee Report

Steve Wall reported that the Audit Committee met with the auditors of Larson and Rosenberger on April 13 to review the draft 2010 financial audit (see attachment number three). The auditors' report states that the Pool's financial statements present fairly, in all material respects, the financial position of the Pool and conform with generally accepted accounting principles. On page nine, investments in County Reinsurance Limited increased \$220,000 and the total increase in net assets is \$495,000. In the Management Letter the auditors recommended that a formal methodology to track reinsurance recoverables be practiced. Korby Siggard and Sonya White have developed a quarterly schedule and methodology to invoice the reinsurance carriers. Karla Johnson made a motion to accept the 2010 UCIP Financial Audit as presented. Steve Wall seconded the motion, which passed unanimously.

Loss Control Manager's Report

Mark Brady reported on the Risk Awareness Program. Tooele County has piloted the program for six months and while their frequency of claims, in both multiline and workers compensation, has remained steady, the severity of loss has shown a significant decrease.

Mark Brady reported that the Facilities Management Conference was well attended and presentations well received. The second day of training was customized for commissioners and project managers but unfortunately no one from those offices came. Upcoming training workshops and conferences are: Fair Coverage, Planning & Zoning, Personnel and Risk Management.

Mark Brady reported on his ongoing efforts in evaluating law enforcement field operations policies. Early in the process, Mark provided the Board with information about Lexipol, an organization that provides policy development and training for law enforcement agencies and jails. At the time, Lexipol was just getting started in Utah and there was not clear evidence that the program would result in loss reduction for counties. Lexipol now has a study out of Oregon that indicates participation in the program does correlate with loss reduction (see attachment number four). Mark will provide the Board with options at its next meeting.

Set Date and Time for Closed Meeting

Karla Johnson made a motion to strike agenda item: *Set Date and Time for Closed Meeting to Discuss Character, Professional Competence, Physical/Mental Health of an Individual*. Bret Millburn seconded the motion, which passed unanimously.

Action on Personnel Matters

Karla Johnson made a motion to strike agenda item: *Action on Personnel Matters*. Bret Millburn seconded the motion, which passed unanimously.

Set Date and Time for Closed Meeting

Kent Sundberg made a motion to strike agenda item: *Set Date and Time for a Closed Meeting to Discuss Pending or Reasonably Imminent Litigation*. Karla Johnson seconded the motion, which passed unanimously.

Action on Litigation Matters

Kent Sundberg made a motion to strike agenda item: *Action on Litigation Matters*. Karla Johnson seconded the motion, which passed unanimously.

Chief Executive Officer's Report

Johnnie Miller reported that at the Workers Compensation Fund Advisory Council meeting it was announced that the Fund has a 107% combined ratio but have authorized a five percent dividend that UCIP will be presenting to its member counties. At the Board's Strategic Planning session in June, the Board will discuss options for surplus now that the Pool is close to matching its annual premium.

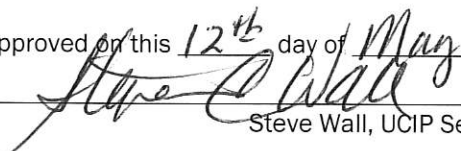
Johnnie Miller reported that the Pool is assisting Washington County with coverage issues on their flooded roads; FEMA feels damage should be paid by UCIP. An update on the progress will be provided to the Board at its next meeting. Morgan County may also experience flood damage this spring. A check was delivered to the Morgan County Council in the amount of \$250,000 for their crime loss and the remainder of the claim will be collected from the reinsurance carrier.

Ratification and Approval of Payments and Credit Card Transactions

Steve Wall reviewed the payments made, payments to be made (see attachment number five) and credit card transactions with the Board. Karla Johnson made a motion to approve the payments made, payments to be made and credit card transactions. Craig Dearden seconded the motion, which passed unanimously.

Other Business

The next meeting of the Board of Trustees is scheduled for May 12, 2011 at 12:00 p.m. at the Hilton Garden Inn, St. George.

Approved on this 12th day of May 2011

Steve Wall, UCIP Secretary-Treasurer



Utah Counties Insurance Pool
Supporting Your Goals since 1992

MEMORANDUM

To: UCIP Board of Trustees

From: Johnnie Miller

Date: April 7, 2011

Re: Investment Strategy

As all funds held by UCIP are categorized as public funds, all investments must comply with the Utah Money Management Act as regulated by the Utah Money Management Council.

Historical Investment Strategies

Initially, investments of the pool were handled by UAC as the pool administrator. At that time UAC utilized the Public Treasurers Investment Fund (PTIF) for investment of UACIM funds. Shortly after the restructure of the pool to UCIP a more aggressive investment strategy was put in place using UBS Investments and Rich Wealth Management as brokers to provide recommendations and make transactions on behalf, and at the direction of, UCIP. In 2008 while reviewing the investments held, it was determined that investments secured by UBS and Rich Wealth Management were not in compliance with the Money Management Act. In order to assure compliance with the Act, UCIP disposed of investments that did not comply, and terminated its relationships with UBS and Rich Wealth Management. The Board adopted an investment strategy at that time recognizing the limited benefit associated with the risk of non-compliance, where all funds were placed in the PTIF with the exception of balances in checking accounts to pay claims and expenses. All funds deposited with the PTIF are considered by the Money Management Council to be in compliance with the Money Management Act.

Current Strategy

UCIP continues with an investment strategy of using the PTIF as the sole investment vehicle for reserves and equity. While this strategy limits investment income, it assures compliance with the Act.

Options

With the limited investment returns provided by the PTIF, the Board is conducting due diligence to consider the cost-benefit of diversifying its investment strategy to include options other than the PTIF. With the limitations of the Money Management Act, options available include:

1. Continuing to utilize PTIF as a sole investment vehicle for reserves and equity. This is the safest option, as it assures compliance with the Act, but it significantly limits investment income.
2. Utilize the PTIF for the majority of the investment portfolio, in conjunction with the use of an approved Advisory Firm which would actively manage a percentage of investments on behalf of UCIP to improve investment income while continuing to comply with the Act. This option creates a limited risk for non-compliance but provides the ability to recognize increased investment income. The risk of non-compliance is limited as the Advisory Firm takes responsibility and liability for compliance of all transactions.
3. Utilize the PTIF for the majority of the investment portfolio, in conjunction with the use of an approved Broker/Agent to conduct transactions on behalf of UCIP and at UCIP's direction. This option increases the risk of non-compliance as UCIP would retain the responsibility and liability for compliance of all transactions. This option does not appear to provide any additional investment income benefit over the Actively Managed option.

Recommendations

Based on the cost/benefit of the options available, I would recommend adoption of utilizing an Advisory Firm as outlined in #2 above. Revisions would be made to UCIP's current Investment Policy to limit the portion of the total portfolio available for actively managed investments. Based on information provided by Zions Bank, this strategy could produce an additional \$20,000 to \$50,000 in investment income in 2011. Given the limited administrative effort to oversee this type of investment strategy, I believe the potential benefit outweighs the expected cost.

If the Board approves the recommendation to engage an Advisory Firm to manage assets on behalf of UCIP, the next decision is selection of an Advisory Firm. In review of the most current listing of Advisory Firms approved by the Money Management Council, there are five such firms. If the Board would prefer to go to bid for these services, RFP's would be developed and sent to those five firms. Considering the level of expertise necessary to perform these activities, and the importance of a strong sense of trust and effective working relationship, the Board may consider foregoing the bid process in this circumstance and negotiate with a firm they are familiar with and have an established level of trust with. Many counties have worked with Zions Bank over the years and have a good working relationship with them. Zions is also the only approved Advisory Firm that is a Utah based company. If a bidding process was utilized, credit for being a Utah based company would very likely leave Zions as the lowest responsible bidder. I would be comfortable documenting the file to justify not going to bid, and beginning direct negotiations with Zions if the Board would like to take that direction.

JRM/jrm

Utah Money Management Council



P. O. Box 142315
Salt Lake City, Utah 84114-2315
(801) 538-1883 (801) 538-1465 Fax
mmcouncil@utah.gov

April 1, 2011

TO: PUBLIC TREASURERS Page 1 of 2 Pages

The Commissioner of Financial Institutions (DFI) has certified the following depository institutions to be QUALIFIED DEPOSITORIES eligible to receive UNINSURED public funds in the amounts shown, for the calendar quarter beginning April 1, 2011 and ending June 30, 2011. However, DFI has stated that the only assurance a public treasurer has to prevent loss of public funds is to keep deposits under the FDIC or NCUA insurance amounts at any one qualified depository. If you place more than the insured amount at any qualified depository, you should perform your due diligence on that depository. This list supersedes the list dated January 1, 2011.

CHANGES

Additions: None. **Deletions:** Allegiance Direct Bank Inc. has been dissolved and is no longer on the list. **Name Changes:** None. **Changes of note:** THE VILLAGE BANK DOES NOT HAVE AN UNINSURED ALLOTMENT. Their Tier 1 Capital has dropped below the 4.0% threshold required by law. Please either remove all uninsured funds from this institution or move your funds to an insured account as allowed by federal law.***Far West Bank has restructured and now has an uninsured allotment! They will continue with a 50% allotment until the federal action is removed.*** **Please check your financial institution's allotment. You as a public treasurer are responsible for making sure that your deposits into qualified depositories meet the criteria of the Act. If you are depositing funds over the maximum allotment in any one financial institution you could be subject to penalties under 51-7-22. Please monitor your deposits.**

!!NOTE!!

All of the financial institutions on this list are required to pay public entities on a **360 day basis** on CD's issued for \$100,000 and over. You should make your institution aware of this when purchasing CD's.

MAXIMUM AMOUNT** OF UNINSURED PUBLIC FUNDS ALLOWED PER INSTITUTION

QUALIFIED DEPOSITORY

Alliance Community Federal Credit Union	11,393,000
America First Credit Union	592,761,000
American Bank of Commerce	7,977,000
Bank of American Fork	146,003,000
Bank of the West	41,256,000
Bank of Utah	110,783,000
Bonneville Bank	6,293,000
Brighton Bank	29,825,000
Cache Valley Bank	53,159,000
*Capital Community Bank	9,278,000
Celtic Bank	41,582,000
Central Bank	148,851,000
Chartway Federal Credit Union	19,894,000
Continental Bank	31,587,000
DesertView Federal Credit Union	2,625,000

William W. Wallace, Chair
KeyBank N.A.
36 South State St., Ste 2609
Salt Lake City, UT 84111
Phone (801) 297-5781
Fax (801) 297-5750

Mark Allom, Vice Chair
Davis County
P.O. Box 618
Farmington UT 84025
Phone (801) 451-3243
Fax (801) 451-3111

Rick Schwarz
Zions Bank
One South Main 17th Floor
Salt Lake City UT 84111
Phone (801) 524-4640
Fax (801) 594-8265

Mark D. Watkins
US Bank
170 South Main St., Ste 600
Salt Lake City, UT 84101
Phone (801) 534-6209
Fax (801) 534-6042

Mark O. McRae
Bountiful City
790 South 100 East
Bountiful, UT 84010
Phone (801) 298-6090
Fax (801) 298-3171

UTAH MONEY MANAGEMENT COUNCIL
Qualified Depositories, April 1, 2011

Page 2 of 2
Maximum Amount**of
Uninsured Public Funds
Allowed per institution

QUALIFIED DEPOSITORY	
Eastern Utah Federal Credit Union	10,914,000
Education First Credit Union	1,890,000
Family First Credit Union	-0-
*Far West Bank/American West Bank (dba as Far West)	29,987,000
First Bank	13,597,000
*First National Bank of Layton	24,053,000
*First Utah Bank	14,142,000
Frontier Bank FSB	25,385,000
Goldenwest Federal Credit Union	119,909,000
*Gunnison Valley Bank	4,995,000
Heber Valley Bank/Grand Valley Bank	23,464,000
Heritage Savings Bank	15,528,000
*Holladay Bank & Trust	4,898,000
*Home Savings Bank	6,803,000
Horizon Utah Federal Credit Union	10,647,000
Jordan Federal Credit Union	16,003,000
JP Morgan Chase Bank	2,023,396,000
Key Bank N.A.	498,212,000
Lewiston State Bank	37,064,000
Morgan Stanley Dean Witter Bank	12,103,500,000
Mountain America Federal Credit Union	295,338,000
Mountain West Bank	26,734,000
Nebo Credit Union	7,291,000
*Prime Alliance Bank	8,974,000
Republic Bank	127,721,000
San Juan Credit Union	1,307,000
State Bank of Southern Utah	114,573,000
SummitOne Federal Credit Union	4,324,000
*Sunfirst Bank	11,519,000
The Village Bank	-0-
Town & Country Bank	11,237,000
US Bank N.A.	223,356,000
Utah Community Credit Union	102,503,000
Utah First Federal Credit Union	27,824,000
Utah Heritage Credit Union	5,127,000
Utah Independent Bank	11,327,000
Washington Federal Savings And Loan	91,576,000
Weber Credit Union	8,843,000
Weber State Federal Credit Union	7,340,000
Wells Fargo Bank N.A.	1,407,650,000
Wells Fargo Bank NorthWest N.A.	2,374,500,000
*Western Community Bank	8,622,000
Zions First National Bank	2,677,050,000

In past months, additional mailings have been sent out regarding Council action on allotments for several institutions that have formal federal enforcement actions against them. They are noted on this list with an asterisk () now.

**"Maximum Amount" means the amount of deposits in excess of the federal deposit insurance limit. Depositories showing a "--0--" maximum amount may only accept insured deposits of public funds.

Utah Money Management Council



P. O. Box 142315
Salt Lake City, Utah 84114-2315
(801) 538-1883 (801) 538-1465 Fax
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April 1, 2011

To: Public Treasurers

Subject: Certified Investment Advisers

Page 1 of 2

Following is the list of Certified Investment Advisers for the quarter beginning April 1, 2011 through June 30, 2011. This list supersedes the list dated January 1, 2011.

Transactions involving authorized deposits or investments of public funds may be conducted only through issuers of securities authorized by Section 51-7-11(3), qualified depositories (refer to current list), certified agents of dealers (see list), or the Certified Investment Advisers included in this list. Authorized deposits or investments are generally limited to those securities listed in Section 51-7-11(3).

The following are changes from the list dated January 1, 2011. **Name Changes:** Zions Investment Services Group is now Zions Wealth Advisors. **Additions:** Alliance Bernstein L.P. and all agents. **Deletions:** None.

All securities purchased through a certified investment adviser are required to be delivered to the public treasurer or to the treasurer's safekeeping bank. Please remember to send a copy of your I.A. statement and broker confirm when filing your deposit and investment report to the Council.

Advisers included in this list have met the minimum standards established by Utah Administrative Code, Section R628-15. **Inclusion in the list of certified investment advisers does not constitute an endorsement or recommendation by the Money Management Council or by the Securities Division of the Department of Commerce.** Compliance with the Money Management Act and Rules of the Council continues to be the responsibility of each public treasurer.

Advisory Firm

Alliance Bernstein LP

Cutwater Asset Management

Investment Representatives

Joseph Brienza
Jeffrey F. Jagard
John M. Robb

Mary Donovan
Bruce G. Ely
Marc H. McClure
Randy Palomba
Neil S. Waud
David Witthohn

Advisory Firm

Morgan Stanley Smith Barney

Yellowstone Partners, LLC

Zions Wealth Advisors DBA for
Contango Capital Advisors Inc.

Investment Representatives

Cody C. Adams
Paul Barton
Douglas Felt
John Hallgren
Debra Lyman
Thomas Nielson
Brian Parcell
Bart Reuling
Robert Rose
Grant Smith
Ken Webster
Betsy Whipple

Richard Baird
Kevin M. Donovan
Dave Hansen
Erick Stats

Scott R. Burnett
Doug R. Gray
Jordan Hansen
Andrew J. Robbins
Diane Veltri
David N. Warne
Jason M. Williams

Utah Money Management Council

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April 1, 2011

TO: PUBLIC TREASURERS

SUBJECT: CERTIFIED DEALERS Page 1 of 3

Following is the list of CERTIFIED DEALERS for the quarter beginning April 1, 2011 through June 30, 2011. THIS LIST SUPERSEDES THE LIST DATED January 1, 2011.

Transactions involving authorized deposits or investments of public funds may be conducted only through ISSUERS of securities authorized by Section 51-7-11(3), QUALIFIED DEPOSITORIES (refer to current list), Certified Investment Advisers (See List), or CERTIFIED AGENTS OF DEALERS included in this list. Authorized deposits or investments are generally limited to those securities listed in Section 51-7-11(3). All securities purchased from a certified dealer are required to be delivered to the public treasurer or to the treasurer's safekeeping bank.

The following are the changes from the list dated January 1, 2011. **Deletions:** Seattle Northwest and all agents are deleted. BOSC and all agents are deleted. **Additions:** JP Morgan Securities and 1 agent, Raymond James & Assoc., Inc and 4 agents, Sterne, Agee & Leach, Inc. and 3 agents, and Cortview Capital Securities LLC and 1 new agent. RBC Capital Markets has added Eric Ajlouny. **Name changes, mergers, etc:** None. **Please check your broker to make sure they are still on the list.**

Broker-dealers included in this list have met the minimum standards established by Utah Administrative Code, Section R628-16. **Inclusion in the list of certified dealers does not constitute an endorsement or recommendation by the Money Management Council or by the Securities Division of the Department of Commerce.** Compliance with the Money Management Act and Rules of the Council continues to be the responsibility of each public treasurer.

BROKER

Barclays Capital Inc.

*Cortview Capital Securities LLC

George K. Baum & Co.

AGENTS

Peter Bjurstein
Granger Tripp

William H. Money III

John T. Crandall
Susan P. Gardner
Frederic Jones
Stephen L. Strong
Brett C. Turnbull

UTAH MONEY MANAGEMENT COUNCIL
Certified Dealers- April 1, 2011

Page 2 of 3

Goldman Sachs & Co.

Judith Donahue
David McCarthy
Frank Murphy

*JP Morgan Securities, LLC

*Timothy Henry

Merrill Lynch, Pierce, Fenner & Smith

Leonard Armstrong
Nathan Armstrong
Brett R. Bills
R. Scott Bills
Robert K. Bills
Teresa L. Friess
Tadd Killpack
Carl L. Laurella
Donald A. Penney
Steven Prickett
Jeffrey J. Roundy
Rick L. Smith

Morgan Stanley Smith Barney

Cody Adams
Craig P. Adams
S. Craig Adams
Paul Barton
Stephen H Beierlein
Deidre M. Cortney
Dean Cottle
Douglas Felt
Phil Fonfara
John Hallgren
Thomas Lifson
Debra Lyman
Thomas E. Nielson
John R. Ott
Brian Parcell
Angela L. Pizzichini
F. Barton Reuling
Robert H. Rose
Grant Smith
Ken Webster
Fred S. Wheeler
Betsy Whipple
Christopher Williams

*Raymond James & Associates, Inc.

*Ken Cramer
*Mark McKinnon
*Scott Lewis
*Hugh T. Simonton

RBC Capital Markets Corp.

Todd N. Adams
*Eric Ajlouny
Eddie Barber Jr.
Scott Chappell
Robert S. Cheney

UTAH MONEY MANAGEMENT COUNCIL
Certified Dealers- April 1, 2011

Page 3 of 3

RBC Capital Markets Corp. (Cont'd)

Sterling Hanson
Craig Martucci
Ronald N. Mason
Bradley T. Miller
Brent Peterson
Partrick Porter
Russell Tobler
Sam Vetas

*Sterne, Agee & Leach, Inc.

*Traci L. Salinas
*Nicolas Yip

UBS Financial Services Inc.

Barry B. Bowen
Don Bunnell
Lisa Cregan
John Doke
Tracy Duckworth
Mathew J. Hufford
Jim Madden
Nat Mosley
Christopher Soutas

Wells Fargo Advisors LLC

R. Dane Bradshaw
Josh G. Burgon
Daniel Payne
David Payne
Timothy Payne

Wells Fargo Securities, LLC.

Benjamin Byington
Randy Church
Jana Creamer
Thomas Degenaars
Brandon Hodge
Tom Jett
Larry Lundberg
Ryan Stoker

*New as of this list.

Changes noted in text below will not be effective until May 9, 2011

51-7-11. Authorized deposits or investments of public funds.

(1) (a) Except as provided in Subsection (1)(b), a public treasurer may conduct investment transactions only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

(b) A public treasurer may, ~~[in furtherance of his duties,]~~ designate a certified investment adviser to make trades on behalf of the public treasurer.

(2) The remaining term to maturity of the investment may not exceed the period of availability of the funds to be invested.

(3) Except as provided in Subsection (4), all public funds, may be deposited or invested only in the following assets that meet the criteria of Section 51-7-17:

- (a) negotiable or nonnegotiable deposits of qualified depositories;
- (b) qualifying or nonqualifying repurchase agreements and reverse repurchase agreements with qualified depositories using collateral consisting of:
 - (i) Government National Mortgage Association mortgage pools;
 - (ii) Federal Home Loan Mortgage Corporation mortgage pools;
 - (iii) Federal National Mortgage Corporation mortgage pools;
 - (iv) Small Business Administration loan pools;
 - (v) Federal Agriculture Mortgage Corporation pools; or
 - (vi) other investments authorized by this section;
- (c) qualifying repurchase agreements and reverse repurchase agreements with certified dealers, permitted depositories, or qualified depositories using collateral consisting of:
 - (i) Government National Mortgage Association mortgage pools;
 - (ii) Federal Home Loan Mortgage Corporation mortgage pools;
 - (iii) Federal National Mortgage Corporation mortgage pools;
 - (iv) Small Business Administration loan pools; or
 - (v) other investments authorized by this section;
- (d) commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Service or Standard and Poor's, has a remaining term to maturity of:
 - (i) 270 days or less for paper issued under 15 U.S.C. Sec 77c(a)(3); or
 - (ii) 365 days or less for pper issued under 15 U.S.C. Sec 77cd(2);
- (e) bankers' acceptances that:
 - (i) are eligible for discount at a Federal Reserve Bank; and
 - (ii) have a remaining term to maturity of 270 days or less;
- (f) fixed rate negotiable deposits issued by a permitted depository that have a remaining term to maturity of 365 days or less;
- (g) obligations of the United States Treasury, including United State Treasury bills, United States Treasury notes, and United State Treasury bonds;
- (h) obligations other than mortgage pools and other mortgage derivative products issued by, or fully guaranteed as to principal and interest by, the following

agencies or instrumentalities of the United States in which a market is made by a primary reporting government securities dealer, unless the agency or instrumentality has become private and is no longer considered to be a government entity:

- (i) Federal Farm Credit banks;
 - (ii) Federal Home Loan banks;
 - (iii) Federal National Mortgage Association;
 - (iv) Federal Home Loan Mortgage Corporation;
 - (v) Federal Agriculture Mortgage Corporation; and
 - (vi) Tennessee Valley Authority;
- (i) fixed rate corporate obligations that:
- (i) are rated "A" or higher or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations one of which must be Moody's Investors Service, or Standard and Poor's;
 - (ii) are senior unsecured obligations of the issuer;
 - (iii) are publicly traded; and
 - (iv) have a remaining term to final maturity of ~~[365 days]~~ 13 months or less or is subject to a hard put at par value or better, within 365 days;
- (j) tax anticipation and general obligation bonds of the state or of any county, incorporated city or town, school district, or other political subdivision of this state, including bonds offered on a when-issued basis without regard to the limitation in Subsection (7);
- (k) bonds, notes, or other evidence of indebtedness of any county, incorporated city or town, school district, or other political subdivision of the state that are payable from assessments or from revenues or earnings specifically pledged for payment of the principal and interest on these obligations, including bonds offered on a when-issued basis without regard to the limitation in Subsection (7); or
- (l) shares or certificates in a money market mutual fund as defined in Section 51-7-3.
- (m) variable rate negotiable deposits that:
- (i) are issued by a qualified depository or a permitted depository;
 - (ii) are repriced at least semiannually; and
 - (iii) have a remaining term to final maturity not to exceed two years;
- (n) variable rate securities that:
- (i) (A) are rated "A" or higher or the equivalent of "A" or higher by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Service or Standard and Poor's;
 - (B) are senior unsecured obligations of the issuer;
 - (C) are publicly traded;
 - (D) are repriced at least semiannually; and
 - (E) have a remaining term to final maturity not to exceed two years; or are subject to a hard put at par value or better, within 365 days;
 - (ii) are not mortgages, mortgage-backed securities, mortgage derivative products, or any security making unscheduled periodic principal payments other than optional redemptions;
- (4) The following public funds are exempt from the requirements of Subsection (3):
- (a) the Employers' Reinsurance Fund created in Section 34A-3-702;

(b) the Uninsured Employers' Fund created in Section 34A-3-704; and

(c) a local government other post-employment benefits trust fund under Section 51-7-12.2.

(5) If any of the deposits authorized by subsection (3)(a) are negotiable or nonnegotiable large time deposits issued in amounts of \$100,000 or more, the interest shall be calculated on the basis of the actual number of days divided by 360 days.

(6) A public treasurer may maintain fully-insured deposits in demand accounts in a federally-insured nonqualified depository only if a qualified depository is not reasonably convenient to the entity's geographic location.

(7) The public treasurer shall ensure that all purchases and sales of securities are settled within:

(a) 15 days of the trade date for outstanding issues; and

(b) within 30 days on new issues.

Utah Counties Insurance Pool

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Year Ending December 31, 2010 and 2009

DRAFT

UTAH COUNTIES INSURANCE POOL

CONTENTS

	<u>Page</u>
Independent Auditors' Report	3
Management's Discussion and Analysis	4-8
Basic Financial Statements:	
Statements of Net Assets	9
Statements of Revenues, Expenses, and Changes in Net Assets.....	10
Statements of Cash Flows	11
Notes to Basic Financial Statements	12-22
Required Supplementary Information:	
Premiums and Loss Development Information	24
Other Independent Auditors' Reports for the Year Ended December 31, 2010 on:	
Compliance and Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26-27
Compliance with the State of Utah Legal Compliance Guidelines	28-29

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Utah Counties Insurance Pool

We have audited the accompanying basic financial statements of **Utah Counties Insurance Pool** as of December 31, 2010 and 2009, and for the years then ended, listed in the foregoing table of contents. These basic financial statements are the responsibility of the Pool's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of **Utah Counties Insurance Pool** as of December 31, 2010 and 2009, and the results of its operations and its cash flow for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements of the Pool, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information as listed under the heading of Required Supplementary Information in the accompany table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Pool, but is supplementary information required by the Governmental Accounting Standards Board.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2011, on our consideration of the Pool's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Salt Lake City, Utah
April 12, 2011



UCIP MANAGEMENT'S DISCUSSION AND ANALYSIS

For the period ended December 31, 2010

April 12, 2011

In conformity with Governmental Accounting Standards Board (GASB) Statement No. 34, the management of the Utah Counties Insurance Pool presents this Management's Discussion and Analysis for the readers of the Pool's financial statements. Our intent is to provide a narrative overview and analysis of the financial activities of UCIP for the fiscal year ended December 31, 2010. Readers are encouraged to consider this information in conjunction with the financial statements, notes to the financial statements and required supplementary information included in the independent auditor's report.

Financial Statements Provided

Included in the independent auditor's report are the basic financial statements required under the GASB standards including:

- Statement of Net Assets – Accounts for all assets and liabilities of the Pool as of December 31, 2010, showing the balance of net assets (assets minus liabilities) as of that date.
- Statement of Revenues, Expenses, and Changes in Net Assets – Accounts for all revenue and expenses accrued for the fiscal period, with calculation of the change in net assets (revenue minus expenses) for the period. Expenses are classified as Operating Expenses (primarily consisting of expected losses to be paid and the cost of excess insurance covering catastrophic losses), and Administrative Expenses (expenses related to the administration of the Pool which consist primarily of staff salary & benefits and office operations). Expenses are further categorized to provide a level of detail appropriate for general management overview and control.
- Statement of Cash Flows – Accounts for all revenues and expenses received or paid during the fiscal period with a calculation of net increase in cash and cash equivalents (revenue minus expenses) and total cash and cash equivalents at the end of the period. This statement provides a contrasting view of the revenues and expenses from the Statement of Revenues, Expenses, and Changes in Net Assets as it accounts for revenues and expenses that were actually received or paid during the period, regardless of when the revenue was earned or due, or when the expense was accrued or invoiced.

Basis of Accounting Methods

Financial statements provided in this report are reported using the Governmental Accounting Standards Board (GASB) basis of accounting. Traditional insurance companies often utilize statutory accounting methods in development of their financial statements which differs significantly from GASB accounting methods. Attempts to perform simple comparisons or benchmark analysis of a commercial carrier's financial reports and the financial reports contained here will likely yield distorted results.



Condensed Financial Information

The following Condensed Financial Statements are meant to provide a summary view of the audited financial statements as support for comments and analysis of the financial condition of UCIP offered by management in this letter.

Net Assets

Total assets decreased by \$2,592,967 from year end 2009. Current and other assets decreased by \$2,805,107, while Capital assets increased \$4,057 and Investments increased \$219,419.

Total Liabilities decreased by \$3,088,096 over year end 2009. Transfer of liabilities for workers compensation claims for the years 2004 to 2009 to the Workers Compensation Fund accounted for the majority of the change.

Net assets increased by \$495,129 during the fiscal year, as a result of a modest underwriting gain, a decrease in required reserves, reduced operating expenses, and a gain on UCIP's equity investment in its reinsurer, County Reinsurance Limited (CRL).

Condensed Statement of Net Assets

	2010	2009	Net Change	2008
Assets:				
Current and other assets	\$ 10,970,425	\$ 13,786,869	\$ (2,816,444)	\$ 14,735,480
Capital assets	600,897	596,840	4,057	654,300
Investments	587,263	367,844	219,419	271,322
Total assets	\$ 12,158,585	\$ 14,751,553	\$ (2,592,968)	\$ 15,661,102
Liabilities:				
Current and other liabilities	\$ 777,257	\$ 39,279	\$ 737,978	\$ 3,059,598
Long-term liabilities	6,636,401	10,462,475	(3,826,074)	9,860,210
Total liabilities	7,413,658	10,501,754	(3,088,096)	12,919,808
Net assets:				
Invested in capital assets, net of related debt	600,897	596,840	4,057	654,300
Restricted	-	-	-	28,170
Unrestricted	4,144,030	3,652,959	491,071	2,058,824
Total net assets	4,744,927	4,249,799	495,128	2,741,294
Total liabilities and net assets	\$ 12,158,585	\$ 14,751,553	\$ (2,592,968)	\$ 15,661,102



Operating Revenue and Expense

Revenue from premiums and management fees decreased \$2,268,763 to \$5,710,287 in 2010. This is primarily due to the restructure of the Workers Compensation program to a joint purchase program. With a \$40,931 drop in administrative expenses, a \$1,232,467 decrease in loss and loss expense reserves at the end of the year, UCIP recognized an operating gain of \$491,793 for the year.

Condensed Statement of Operating Revenues & Expenses

	2010	2009	Net Change	2008
Operating revenues:				
Premiums and other considerations	\$ 5,710,286	\$ 7,979,050	\$ (2,268,764)	\$ 17,673,351
Investment income	281,207	290,050	(8,843)	79,982
Other income	18,159	12,042	6,117	54,572
Total operating revenues	6,009,652	8,281,142	(2,271,490)	17,807,905
Operating expenses:				
Losses and loss adjustment expenses	3,073,281	4,305,748	(1,232,467)	4,624,060
Excess insurance premiums	1,347,633	1,330,501	17,132	12,002,789
General and administrative	1,096,945	1,137,877	(40,932)	1,463,700
Total operating expenses	5,517,859	6,774,126	(1,256,267)	18,090,549
Net operating income	491,793	1,507,016	(1,015,223)	(282,644)
Unrealized gain (loss) on investments	3,336	1,488	1,848	(1,324)
Net income	\$ 495,129	\$ 1,508,504	\$ (1,013,375)	\$ (283,968)

Cash and Cash Equivalents and Investments

To assure compliance with the Utah Money Management Act, and in recognition of the high risk/low return value of individual investments in the market, UCIP management developed a strategy to place all invested funds in the Public Treasurer's Investment Fund (PTIF). This strategy allows UCIP to enjoy significant liquidity and protection of capital in its invested assets, while receiving relatively competitive investment income on those investments. Equity investments consist of equity ownership in County Reinsurance Limited (CRL), a property and liability reinsurance pool of county based pools across the U.S. which UCIP is a member.



Cash and Cash Equivalents and Investments (Continued)

Condensed Statement of Cash and Cash Equivalents and Investments

	2010	2009	Net Change	2008
Cash and cash equivalents:				
Cash on deposit	\$ 365,699	\$ 1,850,175	\$ (1,484,476)	\$ 41,388
Money market funds	-	-	-	11,029
Municipal bonds	-	-	-	1,772,746
Utah Public Treasurer's Investment Fund:				
Held by the Pool	8,710,635	9,364,223	(653,588)	10,992,284
Held jointly with the State of Utah	-	1,500,000	(1,500,000)	1,500,000
Total cash and cash equivalents	9,076,334	12,714,398	(3,638,064)	14,317,447
Investments:				
Investments - U.S. government securities	-	-	-	32,806
Equity investment in CRL	587,263	367,844	219,419	238,516
Total investments	587,263	367,844	219,419	271,322
Total cash and cash equivalents and investments	\$ 9,663,597	\$ 13,082,242	\$ (3,418,645)	\$ 14,588,769

Financial Position

Given the significantly reduced capacity to earn investment income on its reserves, UCIP's ability to realize strong operating results in 2010 was key to maintaining its strong financial position. Net assets at year-end of \$4,744,929 are nearing management's targeted surplus. Based on estimated 2011 premium of \$6,192,945, current surplus to premium ratio is well within market standards.

Condensed Statement of Changes in Net Assets

	2010	2009	Net Change	2008
Revenues and expenses:				
Revenues	\$ 6,012,988	\$ 8,282,630	\$ (2,269,642)	\$ 17,806,581
Expenses	5,517,859	6,774,126	(1,256,267)	18,090,549
Net income (loss)	495,129	1,508,504	(1,013,375)	(283,968)
Net assets, beginning of year	4,249,798	2,741,294	1,508,504	3,025,262
Net assets, end of year	\$ 4,744,927	\$ 4,249,798	\$ 495,129	\$ 2,741,294



Budget

Actual 2010 revenue from premiums was \$5,710,287, slightly more than budgeted. Investment income of \$281,207 was \$226,207 more than was budgeted. Management closely monitored budgeted administrative expenses of \$1,175,000 and was able to operate with actual expenses of \$1,096,945. The savings on actual to budgeted expenses was primarily in the areas of staff expenses, marketing and office operations.

Market Trends in 2011

Management anticipates continued competitive pressure due to protracted soft market conditions into early 2011. Losses arising from earthquakes in Japan in first quarter 2011 will likely cause increases in reinsurance rates, which may drive rate increases in that market beginning late 2011 and into 2012. UCIP is positioned well for this potential property reinsurance crisis, utilizing membership in County Reinsurance Limited (CRL) for its catastrophic property coverage. CRL will be able to leverage its membership volume to suppress rate increases requested by excess carriers. With a strong surplus position, UCIP will also have the option to increase its self-insured retention to offset increased excess rates if necessary.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Executive Officer, Utah Counties Insurance Pool, P.O. Box 95730, South Jordan, UT 84095.

UTAH COUNTIES INSURANCE POOL

A handwritten signature in black ink, appearing to read "Johnnie R. Miller", is positioned above the printed name and title.

Johnnie R. Miller
Chief Executive Officer

UTAH COUNTIES INSURANCE POOL

Statements of Net Assets
December 31, 2010 and 2009

<u>ASSETS</u>	2010	2009
Current assets:		
Cash and cash equivalents	\$ 9,076,334	\$ 12,714,398
Accounts receivable	1,517,631	143,260
Reinsurance recoverable	145,492	700,871
Prepaid expenses	219,632	217,004
Total current assets	10,959,089	13,775,533
Investments	587,263	367,844
Capital assets , net of accumulated depreciation of \$183,060 and \$173,292 respectively	600,897	596,840
Security deposit	11,336	11,336
Total assets	\$ 12,158,585	\$ 14,751,553
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Reserves for losses and loss adjustment expenses	\$ 6,636,401	\$ 10,462,475
Accounts payable	28,012	7,242
Payroll liabilities	1,450	1,551
Compensated absences payable	28,767	30,487
Premiums paid in advance	719,028	-
Total current liabilities	7,413,658	10,501,755
Total liabilities	7,413,658	10,501,755
Net assets:		
Invested in capital assets	600,897	596,840
Unrestricted	4,144,030	3,652,958
Total net assets	4,744,927	4,249,798
Total liabilities and net assets	\$ 12,158,585	\$ 14,751,553

The accompanying notes to financial statements
are an integral part of these statements.

UTAH COUNTIES INSURANCE POOL
 Statements of Revenues, Expenses, and Changes in Net Assets
 December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating income:		
Premiums	\$ 5,690,293	\$ 7,908,425
Premiums audit	19,993	70,625
Investment income	281,207	290,050
Realized gain on investments	3,336	1,488
Miscellaneous income	18,159	12,042
Total operating income	<u>6,012,988</u>	<u>8,282,630</u>
Underwriting expenses:		
Losses and loss adjustment expenses	3,073,281	4,305,748
Reinsurance coverage	1,347,633	1,330,501
Total underwriting expenses	<u>4,420,914</u>	<u>5,636,249</u>
Administration expenses:		
Board of trustees	44,578	40,804
Depreciation	28,547	44,231
Loss control	48,865	18,292
Marketing	15,597	12,775
Office operations	181,941	196,271
Professional services	88,485	96,450
Self insurer's taxes	(9,943)	(9,092)
Staff expenses	698,875	738,146
Total administration expenses	<u>1,096,945</u>	<u>1,137,877</u>
Total operating expenses	<u>5,517,859</u>	<u>6,774,126</u>
Change in net assets	495,129	1,508,504
Net assets, beginning of year	<u>4,249,798</u>	<u>2,741,294</u>
Net assets, end of year	<u><u>\$ 4,744,927</u></u>	<u><u>\$ 4,249,798</u></u>

The accompanying notes to financial statements
 are an integral part of these statements.

UTAH COUNTIES INSURANCE POOL
 Statements of Cash Flows
 For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Premiums collected	\$ 5,054,944	\$ 6,811,402
Other fees collected	18,159	12,042
Reinsurance paid	(1,350,262)	(1,330,501)
Losses and loss adjustment expenses paid	(6,343,976)	(4,146,708)
Administrative expenses paid	(1,049,449)	(3,160,123)
Net cash used by operating activities	<u>(3,670,584)</u>	<u>(1,813,888)</u>
Cash flows from investing activities:		
Purchases of investments	(5,736)	-
Proceeds from sale of investments	-	34,000
Investment income	61,788	163,316
Net cash provided by investing activities	<u>56,052</u>	<u>197,316</u>
Cash flows from capital and related financing activities:		
Building security deposit	-	3,428
Proceeds from sale of land	-	19,250
Reclassification of land escrow account	-	75,426
Purchases of capital assets	(32,332)	(84,581)
Proceeds from sales of capital assets	8,800	-
Net cash provided (used) by capital and related financing activities	<u>(23,532)</u>	<u>13,523</u>
Net decrease in cash and cash equivalents	<u>(3,638,064)</u>	<u>(1,603,049)</u>
Cash and cash equivalents at beginning of period	<u>12,714,398</u>	<u>14,317,447</u>
Cash and cash equivalents at end of period	<u><u>\$ 9,076,334</u></u>	<u><u>\$ 12,714,398</u></u>

The accompanying notes to financial statements are an integral part of these statements.

	<u>2010</u>	<u>2009</u>
Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	\$ 495,129	\$ 1,508,505
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	28,547	44,205
Interest received on investments	(61,788)	(163,316)
Increase in equity in CRL	(219,419)	(129,328)
Realized gain on sale of investments	-	(1,488)
Gain on disposal of equipment	(3,336)	-
Changes in assets and liabilities:		
Increase in accounts receivable	(1,374,371)	(231)
Decrease in accrued investment income	-	2,594
Increase in prepaid expenses	(2,628)	(217,004)
(Increase) decrease in reinsurance recoverable	555,379	(443,225)
Decrease in security deposit	-	3,428
Increase (decrease) in reserves for loss and loss adjustment expenses	(3,826,074)	602,265
Increase (decrease) in accounts payable	20,770	(1,850,095)
Increase (decrease) in payroll liabilities	(101)	789
Decrease in compensated absences	(1,720)	(3,570)
Increase (decrease) in premiums paid in advance	719,028	(1,167,417)
Total adjustments	<u>(4,165,713)</u>	<u>(3,322,393)</u>
Net cash used by operating activities	<u>\$ (3,670,584)</u>	<u>\$ (1,813,888)</u>

UTAH COUNTIES INSURANCE POOL

Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Utah Counties Insurance Pool (the Pool or UCIP) was incorporated in December 1991 as the Utah Association of Counties Insurance Mutual (the Mutual). In July 2003, the Mutual was renamed the Utah Counties Insurance Pool. The Pool is a non-profit public agency insurance mutual under the insurance statutes of the State of Utah and is an interlocal entity formed under section 11.13.101 et. seq. *Utah Code Annotated, 1953* as amended, as a joint program to insure risks for counties who enter into the interlocal agreement that creates UCIP. The Pool started providing workers' compensation coverage effective January 1, 2004. All of the Pool's business activities are conducted in the State of Utah. On January 4, 2010, the Pool entered into a Loss Transfer Agreement with Workers Compensation Fund (WCF). In January 2010, the Pool paid WCF \$4,229,516 for the transfer of all workers compensation liabilities associated with policy years 2004-2009.

Accounting Principles

These financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP) and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The Pool adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB Statement 34), GASB Statement No. 37, *Basic Financial statement and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Disclosures*, in fiscal year 2002, effective January 1, 2001. Effective January 1, 2004, the Pool adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. With the implementation of these statements, the Pool has prepared required supplementary information titled 'Managements' Discussion and Analysis' which precedes the basic financial statements, has prepared a balance sheet classified between current and noncurrent assets and liabilities, has categorized net assets as invested in capital assets and unrestricted, has prepared the statements of cash flows on the direct method, and provided additional schedules to better communicate the financial status of the governmental entity.

The accounting policies of the Pool conform to accounting principles generally accepted in the United States of America in all material respects. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Fund and Other Governmental Entities That Use Proprietary Fund Accounting*, the Pool has opted to apply all pronouncements issued by the Financial Accounting Standards Board ("FASB") after November 1989, unless the FASB pronouncements conflict with or contradict GASB pronouncements. The following is a summary of the more significant of such policies.

Basis of Accounting

The Pool reports as a single enterprise fund and uses the accrual method of accounting and the economic resources measurement focus. Under this method, revenues are recognized when they are earned and expenses are recognized when they are incurred.

UTAH COUNTIES INSURANCE POOL

Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. The estimates which are particularly susceptible to change are related to the actuarial valuation of the claims incurred but not reported and loss reserves. Actual results could differ from those estimates.

Income Taxes

The Pool is exempt from the payment of income taxes under Section 115 of the Internal Revenue Code.

Premiums

Substantially all policies have a common annual renewal date of January 1. Premiums written are earned on a daily pro rata basis over the policy term.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Pool considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents. Therefore, the investment in Utah Public Treasurers' Fund, business market funds, and cash on deposit are considered to be cash equivalents.

Investments

Investments are comprised of various U.S. Government securities, certificates of deposit and investment in County Reinsurance Limited (CRL).

The investments in CRL are valued using the equity method of accounting. Under the equity method, the Pool recognizes its proportionate share of the net earnings or losses of CRL which represents its share of the undistributed earnings or losses of CRL.

UTAH COUNTIES INSURANCE POOL
Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are defined by the Pool as assets with an initial individual cost of more than \$500. Capital assets are stated at cost less accumulated depreciation. Depreciation on furniture, equipment and electronic data processing equipment is provided over the estimated useful lives of the assets on the straight-line method. Useful lives vary from three to five years. Depreciation expense for the years ended December 31, 2010 and 2009 amounted to **\$28,547** and \$44,231, respectively.

Compensated Absences

Accumulated unpaid vacation and sick pay amounts are accrued when benefits vest to employees and the unpaid liability is reflected as compensated absences payable.

Reserves for Losses and Loss Adjustment Expenses

The reserves for losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount based on past experience for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes that amounts are adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are reviewed quarterly and any adjustments are reflected in the period determined.

Classification

Certain amounts in the 2009 financial statements have been re-classed to conform to the 2010 presentation.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Listed below is a summary of the cash and investment portfolios as of December 31, 2010 and 2009. Investing is governed by the prudent man rule in accordance with statutes of the State of Utah. All investments of the Pool are considered to have been made in accordance with these governing statutes.

UTAH COUNTIES INSURANCE POOL

Notes to Basic Financial Statements

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash and cash equivalents

Cash and cash equivalents of the Pool are carried at cost. The carrying amount of the cash on deposit, net of outstanding checks, is **\$365,699** and **\$1,850,175**, as of December 31, 2010 and 2009, respectively. The corresponding bank balance of the deposits was **\$393,960** and **\$1,898,732** as of December 31, 2010 and 2009, respectively. As of December 31, 2010 and 2009, **\$250,000** of the Pool's cash on deposit was insured by the FDIC.

The Public Treasurers' Investment Fund (PTIF) is a pooled investment fund enabling public agencies to benefit from the higher yields offered on large denomination securities. The PTIF is similar in nature to a money market fund, but is subject to the Money Management Act and Rules of the Money Management Council. The PTIF invests in corporate debt, U.S. Agency notes, certificates of deposit and commercial paper. The maximum final maturity of any security invested in by the PTIF is limited to five years. The maximum weighted average life of the portfolio is limited to 90 days. There is no maturity date on an entity's investment in the PTIF. PTIF deposits are not insured or otherwise guaranteed by the State of Utah. Participants in the PTIF pay an administrative charge on an annual basis based on the average account balance. The PTIF is operated as a service to local governments and does not generate a profit to the Utah State Treasurer. Of the Pool's PTIF holdings, \$1,500,000 is held jointly with the Utah Labor Commission for the payment of workers compensation claims. This restriction was lifted in January of 2010.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of December 31, 2010 and 2009, the Pool had amounts over FDIC insurance of **\$143,960** and **\$1,678,732**. As of December 31, 2010 and 2009, the Pool had amounts over SIPC insurance of **\$0** and **\$0**.

UTAH COUNTIES INSURANCE POOL
Notes to Basic Financial Statements

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

As of December 31, 2010 and 2009, the Pool's cash and cash equivalents and investments included the following:

	2010	2009
Cash on deposit	\$ 365,699	\$ 1,850,175
Utah Public Treasurer's Investment Fund:		
Held by the Pool	8,710,635	9,364,223
Held jointly with the State of Utah	-	1,500,000
Total cash and cash equivalents	9,076,334	12,714,398
Equity investment in CRL	587,263	367,844
Total investments	587,263	367,844
Total cash and cash equivalents and investments	\$ 9,663,597	\$ 13,082,242

Investments

The Pool recorded its investments in U.S. Treasuries and U.S Agencies at amortized cost. As of January 2009, the Pool no longer directly invests in US Treasuries and US Agencies. All investments are through the Public Treasurer's Investment Fund and County Reinsurance Limited. The differences between book value and fair value as of December 31, 2010 and 2009 are as follows:

	Cost/ Amortized Cost	Gross Unrealized Gains	2010 Gross Unrealized Losses	Fair Value	Statement Value
Equity investment in CRL	\$ 587,263	\$ -	\$ -	\$ 587,263	\$ 587,263
Total investments	\$ 587,263	\$ -	\$ -	\$ 587,263	\$ 587,263

	Cost/ Amortized Cost	Gross Unrealized Gains	2009 Gross Unrealized Losses	Fair Value	Statement Value
Equity investment in CRL	\$ 367,931	\$ -	\$ 87	\$ 367,844	\$ 367,844
Total investments	\$ 367,931	\$ -	\$ 87	\$ 367,844	\$ 367,844

UTAH COUNTIES INSURANCE POOL
Notes to Basic Financial Statements

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

The schedule below provides information about the credit risk, interest rate risk, credit rate risk, and concentration of credit risk associated with the Pool's investments as of December 31, 2010 and 2009.

	2010				
	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Equity investment in CRL	\$ 587,263	\$ -	\$ -	\$ -	\$ 587,263
Total investments	\$ 587,263	\$ -	\$ -	\$ -	\$ 587,263
	2009				
	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Equity investment in CRL	\$ 367,844	\$ -	\$ -	\$ -	\$ 367,844
Total investments	\$ 367,844	\$ -	\$ -	\$ -	\$ 367,844

Interest Rate Risk

The Pool's investment policy states that the Pool manages its exposure to declines in fair value by laddering the maturities of its securities. Currently the Pool utilizes the Public Treasurer's Investment Fund (PTIF) to manage interest rate risk.

Credit Rate Risk

The Pool's investment policy states that investments will be limited to the top ratings issued by nationally recognized statistical rating organizations (NRSROs) so the total investment portfolio maintains an "A" (S&P) or equivalent minimum rating. All investments made during the period were in compliance with this policy.

Concentration of Credit Risk

The Pool's investment policy is that investment in commercial paper, corporate bonds and asset-backed obligations shall not exceed 20% of the total assets of UCIP's investments. All investments made during the period were in compliance with this policy.

UTAH COUNTIES INSURANCE POOL
Notes to Basic Financial Statements

3. INTEREST RATES

The interest rates for assets held with the Utah Public Treasurers' Investment Fund were **.4813%** and **.63%** for the years ended December 31, 2010 and 2009, respectively.

4. INVESTMENT INCOME

Investment income is comprised of the following as of December 31:

	<u>2010</u>	<u>2009</u>
Interest:		
Bonds	\$ -	\$ 617
Equity in CRL	224,973	129,328
Cash	<u>56,234</u>	<u>160,105</u>
Total interest income	<u>\$ 281,207</u>	<u>\$ 290,050</u>
Cash received:		
Bonds	\$ -	\$ 3,865
Cash	<u>56,234</u>	<u>160,105</u>
Total cash received	<u>56,234</u>	<u>163,970</u>
Noncash adjustments:		
Equity in CRL	224,973	129,328
Change in accrued interest	-	(2,954)
Amortization	<u>-</u>	<u>(294)</u>
Total noncash adjustments	<u>224,973</u>	<u>126,080</u>
Total investment income	<u>\$ 281,207</u>	<u>\$ 290,050</u>

UTAH COUNTIES INSURANCE POOL

Notes to Basic Financial Statements

5. CAPITAL ASSETS

The capital assets and related accumulated depreciation of the Pool are:

	2010			
	Beginning Balance	Capital Acquisitions	Dispositions	Ending Balance
Land	\$ 494,446	\$ -	\$ -	\$ 494,446
Capital assets	275,685	38,274	24,449	289,510
Total capital assets	\$ 770,131	\$ 38,274	\$ 24,449	\$ 783,956

	2010			
	Beginning Balance	Depreciation Expense	Dispositions	Ending Balance
Accumulated depreciation	\$ 173,291	\$ 28,547	\$ 18,779	\$ 183,059

	2009			
	Beginning Balance	Capital Acquisitions	Dispositions	Ending Balance
Land	\$ 592,340	\$ -	\$ 97,894	\$ 494,446
Capital assets	191,020	84,665	-	275,685
Total capital assets	\$ 783,360	\$ 84,665	\$ 97,894	\$ 770,131

	2009			
	Beginning Balance	Depreciation Expense	Dispositions	Ending Balance
Accumulated depreciation	\$ 129,060	\$ 44,231	\$ -	\$ 173,291

6. CONTINGENCIES

The Pool is subject to litigation from the settlement of claims contested in the normal course of business. The losses from the actual settlement of such unknown claims are taken into consideration in the computation of the estimated unpaid loss and loss adjustment expense liabilities.

UTAH COUNTIES INSURANCE POOL
Notes to Basic Financial Statements

7. REINSURANCE

Effective 2003, the Pool has purchased only specific excess coverage. The agreement provides for liability insurance in excess of a \$250,000 self-insured retention and property and crime insurance in excess of a \$250,000 self-insured retention.

Effective 2004, the Pool has purchased reinsurance for its workers' compensation coverage in excess of a \$300,000 self-insured retention. Effective 2008, the Pool increased its self-insured retention to \$400,000. As of January 2010, the Pool no longer self-insures workers' compensation coverage.

Estimated claims loss liabilities are stated net of estimated losses applicable to reinsurance ceded to other insurance companies of **\$1,254,980** for the multi-line pool, as of December 31, 2010. Estimated claims loss liabilities are stated net of estimated losses applicable to reinsurance coverage ceded to other insurance companies of \$1,185,154 for the multi-line pool, as of December 31, 2009. However, the Pool is contingently liable for those amounts in the event such companies are unable to pay their portion of the claims.

Unsecured Reinsurance Recoverables

The Company has reinsurance recoverables in the amount of **\$145,492** and \$700,871 from its reinsurers for paid losses as of December 31, 2010 and 2009 respectively.

Reinsurance Recoverable in Dispute

The Company does not have any disputed balances or uncollectible funds.

8. RETIREMENT PLAN

The employees are covered under multiple-employer, public employee retirement systems administered by the Utah Retirement System. This plan is noncontributory and includes a 401(k) plan. The Pool contributes 13.37% of employee's salaries under the plan. The Pool contributes an amount equal to the amount contributed by the employee into a 401(k) plan and/or a 457 (administered by Nationwide Retirement Solutions) plan, not to exceed 5% of the employees eligible payroll. The total retirement expense for the Pool for the year ended December 31, 2010 and 2009 was **\$71,122** and \$73,121, respectively.

UTAH COUNTIES INSURANCE POOL

Notes to Basic Financial Statements

9. UNPAID CLAIMS, LOSSES AND LOSS ADJUSTMENT EXPENSES

Reserves for incurred losses and loss adjustment expenses attributable to insured events of prior years has increased (decreased) by approximately **\$(4,341,000)** and \$(323,000) in 2010 and 2009, respectively, as a result of re-estimation of unpaid losses and loss adjustment expenses. This change is the result of ongoing analysis of recent loss development trends. Original estimates change as additional information becomes known regarding individual claims. Reserves for 2009 included workers compensation losses and loss adjustment expenses for prior years. As of January 1, 2010, workers compensation liabilities were transferred to the Workers Compensation Fund under a loss portfolio transfer agreement.

	<u>2010</u>	<u>2009</u>
Balance at January 1 (in thousands)	\$ 10,462	\$ 9,860
Incurred, related to:		
Current year	2,876	4,227
Prior year	(4,341)	(323)
Increase related to recording workers comp reserves a maximum	-	480
Total incurred	(1,465)	4,384
Paid, related to:		
Current year	584	1,126
Prior year	1,777	2,656
Total paid	2,361	3,782
Balance at December 31	\$ 6,636	\$ 10,462

UTAH COUNTIES INSURANCE POOL

Notes to Basic Financial Statements

10. OPERATING LEASE COMMITMENT

On September 4, 2008, the Pool entered into a seven year commitment to lease office space. The lease commenced in February 2009 at which time the Pool occupied the premises. The Pool paid **\$129,456** under the lease commitment for the year ending December 31, 2010 and \$103,008 in rent for the year ending December 31, 2009.

Future minimum rental commitments for the building operating lease are as follows:

2011	\$	129,456
2012		132,696
2013		136,674
2014		140,680
2015		144,866
Thereafter		<u>36,393</u>
Total minimum lease payments	\$	<u>720,765</u>

11. SUBSEQUENT EVENTS

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through April 12, 2011, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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UTAH COUNTIES INSURANCE POOL
Premiums and Loss Development Information

The following table compares the Pool's earned revenues net of reinsurance and investment income to related costs of losses and loss adjustment expenses, net of reinsurance, assumed by the Pool. The table is defined as follows: (1) show each year's net earned premiums, other operating revenues and interest income, (2) shows each year's other operating expenses including overhead and loss adjustment expenses not allocable to specific claims, (3) show incurred losses and allocated loss adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred, (4) shows the cumulative amounts paid as of the end of successive years for each accident year, (5) shows how each coverage year's incurred losses increased or decreased as of the end of the successive years: this annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims, (6) compares the latest re-estimated incurred loss amounts to the amounts originally established. Pool information is only available in the format shown below for the years presented.

(in thousands)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
(1) Earned premiums, other operating revenues and investment revenues, net of reinsurance	2,787	2,768	2,803	3,912	5,073	9,542	12,433	16,116	6,952	4,665
(2) Unallocated expense	224	233	242	242	-	-	-	-	-	-
(3) Estimated incurred claims, both paid and accrued, end of accident year	1,715	1,905	2,304	3,495	4,334	4,245	4,672	4,586	4,227	2,876
(4) Paid (cumulative) as of:										
End of accident year	504	511	661	1,104	1,383	1,059	1,332	1,302	1,126	584
One year later	964	910	1,190	1,786	2,361	2,289	2,296	2,076	1,246	-
Two years later	1,264	1,224	1,561	2,171	2,832	2,672	3,103	1,640	-	-
Three years later	1,588	1,406	2,213	2,463	3,276	3,324	2,202	-	-	-
Four years later	1,715	1,567	2,309	2,642	3,427	2,392	-	-	-	-
Five years later	1,715	1,671	2,369	2,911	2,368	-	-	-	-	-
Six years later	1,715	1,850	2,369	2,460	-	-	-	-	-	-
Seven years later	1,715	1,850	2,421	-	-	-	-	-	-	-
Eight years later	1,715	1,850	-	-	-	-	-	-	-	-
Nine years later	1,715	-	-	-	-	-	-	-	-	-
(5) Reestimated incurred losses and expenses:										
End of accident year	1,714	1,905	2,304	3,495	4,334	4,245	4,672	4,586	4,227	2,876
One year later	1,923	1,574	2,178	3,524	4,448	3,773	4,871	4,145	2,748	-
Two years later	1,715	1,775	2,618	3,302	4,495	4,059	4,789	2,704	-	-
Three years later	1,715	1,850	2,624	3,100	4,348	4,437	2,751	-	-	-
Four years later	1,715	1,850	2,755	3,399	4,347	2,696	-	-	-	-
Five years later	1,715	1,850	2,776	3,317	2,737	-	-	-	-	-
Six years later	1,715	1,850	2,776	2,657	-	-	-	-	-	-
Seven years later	1,715	1,850	2,466	-	-	-	-	-	-	-
Eight years later	1,715	1,850	-	-	-	-	-	-	-	-
Nine years later	1,715	-	-	-	-	-	-	-	-	-
(6) Decrease in estimated incurred losses and expenses from end of accident year	-	(55)	162	(838)	(1,597)	(1,549)	(1,921)	(1,882)	1,479	-

OTHER INDEPENDENT AUDITORS' REPORTS

DRAFT

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based Upon the Audit
Performed in Accordance with Government Auditing Standards**

The Board of Trustees
Utah Counties Insurance Pool

We have audited the financial statements of **Utah Counties Insurance Pool** as of and for the year ended December 31, 2010, and have issued our report thereon dated April 12, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether **Utah Counties Insurance Pool** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements **Utah Counties Insurance Pool** as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered **Utah Counties Insurance Pool's** internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the **Utah Counties Insurance Pool's** internal control. Accordingly, we do not express an opinion on the effectiveness of the **Utah Counties Insurance Pool's** internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Utah Counties Insurance Pool

April 12, 2011

Page 2

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

We noted certain matters involving internal control and its operation which we have reported to the management of the **Utah Counties Insurance Pool** in a separate letter dated April 12, 2011.

This report is intended solely for the information and use of the board of trustees and management of **Utah Counties Insurance Pool** and the State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Salt Lake City, Utah

April 11, 2011

DRAFT

Independent Auditors' Report on State Legal Compliance

The Board of Trustees

Utah Counties Insurance Pool

We have audited the financial statements of **Utah Counties Insurance Pool** as of and for the year ended December 31, 2010, and have issued our report thereon dated April 12, 2011. As part of our audit, we have audited **Utah Counties Insurance Pool's** compliance with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2010. The Pool received no funding from major State assistance programs from the State of Utah.

Our audit also included test work on the Pool's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Cash management
- Purchasing requirements
- Budgetary compliance
- Special districts
- Other general issues

The management of **Utah Counties Insurance Pool** is responsible for the Pool's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Pool's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The Board of Trustees
Utah Counties Insurance Pool
April 12, 2011
Page 2

This audit does not provide a legal determination on the entity's compliance with State requirements. The results of our audit procedures revealed no instances of noncompliance with State requirements.

In our opinion, **Utah Counties Insurance Pool** complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended December 31, 2010.

Salt Lake City, Utah
April 12, 2011

DRAFT

Utah Counties Insurance Pool

MANAGEMENT LETTER

December 31, 2010

DRAFT

April 12, 2011

The Board of Trustees
Utah Counties Insurance Pool
South Jordan, Utah

We have audited the financial statements of **Utah Counties Insurance Pool** (the Pool) for the year ended December 31, 2010, and have issued our report thereon dated April 12, 2011. As part of our audit, we made a study and evaluation of the Pool's system of internal control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America and have issued our report thereon dated April 12, 2011. The purpose of this letter is to recommend certain matters which came to our attention during the course of the audit, which we believe will strengthen internal control and operating efficiency. These matters are not considered to be material weaknesses as defined in our reports on internal control referred to above. These matters, together with our recommendations, are presented below for your consideration.

Current Year Management Letter Points

Reinsurance Recoverables

During our testing of the reinsurance recoverables, we noted that the Pool has no formal methodology for tracking reinsurance recoverables. The reinsurance recoverables account balance will fluctuate from year-to-year depending on whether an incurred claim exceeds the self-retention limits. Because no formal methodology exists to track reinsurance recoverables, each year we propose an adjustment to the reinsurance recoverables account balance.

We therefore recommend that the Pool establish a formal methodology to track reinsurance recoverables. Such a method could include the development of an excel workbook to help calculate the amount to be recovered. The Pool might also consider working with the claims software personnel to determine if there is a cost effective way to track reinsurance recoverables with the current claims software. Although, more costly than an excel workbook, the claims software application will reduce the potential for mistakes if the reinsurance recoverable calculation is programmed.

With this recommendation, we recommend that the Claims Manager be responsible for the amounts to be recovered as the Claims Manager is familiar with the claims being paid and would know when a claim has exceeded its self-retention limits. On a monthly basis, the Claims Manager would report to the accounting department the amount collected and the amount remaining to be collected. This monthly communication will help to ensure an accurate reinsurance recoverable balance.

The Board of Trustees
Utah Counties Insurance Pool
April 12, 2011
Page 2

This letter, by its nature, contains only our comments and recommendations observed during the course of our audit. Our comments are not to reflect the integrity or capabilities of anyone in your organization. Our interest is to help you improve the operations and controls of the Pool.

We appreciate the courteous assistance of your personnel during the course of our audit. Should you have any questions regarding the above recommendations and comments, or require assistance in their implementation, please feel free to contact us.

Sincerely,

LARSON & ROSENBERGER LLP

Geri A. Douglas, CPA
Partner

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LOSS CONTROL MANAGER'S REPORT

APRIL 2011

Mark Brady
Loss Control Manager
UCIP Board Meeting
15 APRIL 2011

I. Risk Awareness Program Implementation

The RAP program has been functioning in Tooele County for over six months. Last week we reported on the 6 month results to our Insurance Coordinators. A summary Sheet is attached. In short, while the number of claims for both multiline and workers compensation remained the same as we have seen in previous years, the severity of loss has shown a significant decrease.

We will report again at our September Board Meeting.

II. FACILITIES MANAGEMENT CONFERENCE Report

We had our annual Facilities Management Conference in March. We had more than 40 in attendance. The presentations were well received.

We added a second day to the Conference to address issues related to new construction and remodeling. Topics included: Keeping the Public Safe, Architectural/Construction Contracts, and Construction Process. The presentations were excellent. However, while we had targeted commissioners and project managers for the second day topics, we had almost no one from that target group from show. Instead we had mostly facilities managers in attendance.

We hope to reprise many of the Second Day topics later this year.

III. Lexipol

A few years ago I began evaluating law enforcement field operations policies among our sheriffs. While our larger agencies did fairly well, our medium to small agencies did not show well. Most of our agencies had old policies that are inadequate and have not been updated for some time. At that time Lexipol was just getting started in Utah. Lexipol is an organization that provides policy development and training for law enforcement agencies and jails. The service provides policies that are consistent with the latest state and federal laws and they are continually updated.

At that time, citing lack of clear evidence that the program would result in loss reduction for the counties, the Board chose not to supplement or defray the costs associated with participating in the Lexipol program.

Over the past few weeks, I have been contacted by some Sheriff's Offices about the possibility of obtaining some assistance. Lexipol now has a study out of Oregon that indicates that participation in the program does correlate with loss reduction (See the attached summary). Both URMMA and the Trust do provide assistance for their agencies that participate in the program. Should the Board desire to revisit this issue I would be happy to come back with options for the Board to consider next month.

IV. Fair Conference

At our February Board Meeting, the Board asked whether we could put together a meeting for Fair Directors, in order to discuss risk management concerns about Fairs and fairground use. We have developed a half-day program to be held at the UCIP Offices on 21 April from 10:30 to 2:30. We will discuss Vendor agreements, the Tenant User Liability Insurance Program, Hold-harmless agreements, and Insurance requirements. (See attached). Telephonic attendance has been arranged for those who cannot attend in person. You are invited to join us.

V. Upcoming Conferences

Fair Conference—April 21, UCIP Offices, 10:30 am -2:30 pm.

Planning & Zoning Conference—April 26-27, Provo.

We are adding a second day to this workshop as well in order to address the need expressed by some to have some basic training in addition to our legal update and topical discussions.

Personnel Workshop—May 11-12, St. George.

This is our continuing two-day conference targeting HR heads and supervisors.

Risk Management Conference—August 16-18, Cedar City.

This year will be focusing on recognition and analysis of County exposures in the areas of Law Enforcement, Human Resources, Jail Operations, Public Works, Road Operations, Facilities, and other operations. Our goal with this conference is to prepare our Risk Managers to develop strong Risk Management teams in a coordinated effort to reduce risk of loss.

LEXIPOL data from Oregon Pool

Law Enforcement Personnel & Employment Liability Claims

The most drastic improvement for Lexipol agencies is in personnel and employment claims experience. Pre-adoption, Lexipol agencies accounted for nearly 1/3 of personnel and employment claims (fig. 1). Over the past three years (07-08 through 09-10), Lexipol agencies have yet to incur a personnel and employment claim while Non-Participating agencies have had 6 for over \$318k (fig. 2).

Pre Adoption
Percent of Employment
Incurred

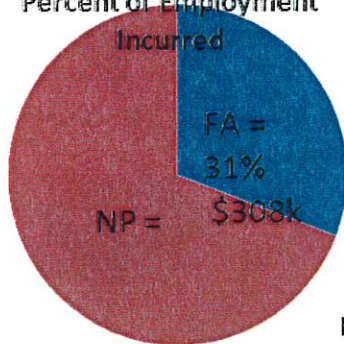


Fig.

Post Adoption
Percent of Employment
Incurred

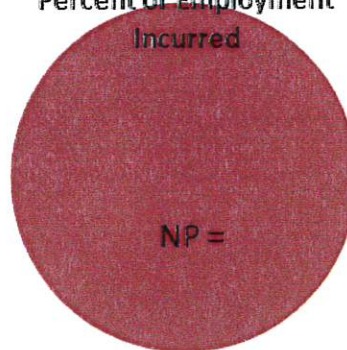
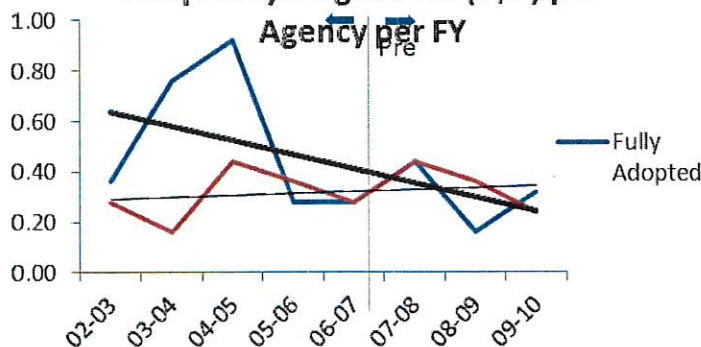


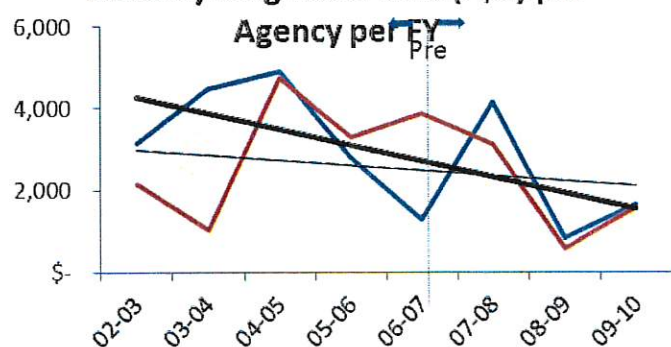
Fig.

The graphs below are comprised of claims where something was paid or where there are reserves. That is, they omit claims without reserves and claims where nothing was paid. Further, they effort to illustrate the trend in the average number of claims (frequency) and the average cost (severity) for an agency by fiscal year. In both instances, *Lexipol agencies have realized a steady decline in both the average number of claims and average cost.* Non-Participating agencies have actually seen an increase in frequency and a slight decrease in the severity.

Frequency: Avg Claims (>\$0) per
Agency per FY



Severity: Avg Claim Cost (>\$0) per
Agency per FY

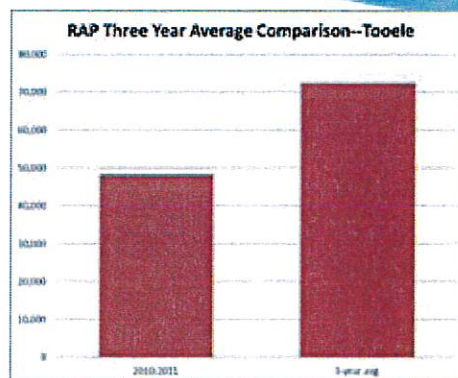


Six-Month Review

- * Liability/Property Claims:
 - * 1/Sep/2009-28/Feb/2010: 10
 - * 1/Sep/2010-28/Feb/2011: 10
- * Liability/Property Loss:
 - * 1/Sep/2009-28/Feb/2010: \$68,613
 - * 1/Sep/2010-28/Feb/2011: \$48,285



Three-year Average Comparison Liability/Property



Six Month Review: Workers Compensation

- * Workers' Compensation Claims:

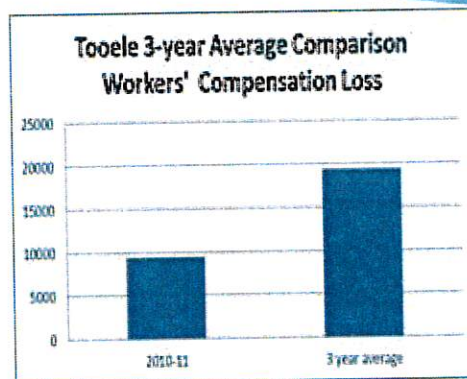
- * 1/Sep/2009-28/Feb/2010: 14
- * 1/Sep/2010-28/Feb/2011: 13

- * Workers Compensation Loss:

- * 1/Sep/2009-28/Feb/2010: \$37,238
- * 1/Sep/2010-28/Feb/2011: \$9,447



Three Year Average Comparison Workers Compensation Claims



The County Fair

UCIP Coverage Training

Facilities Use
and Liability

Fair Events
Coverage

Indemnification/
Hold Harmless



Vendor Risk
Assessment

Tenant User
Program

Certificates of
Coverage

Date April 21, 2011

Time 10:30 am – 2:30 pm

Location UCIP Training Room

Address 10980 S. Jordan Gateway, South Jordan

Join Us!

Lunch Provided

Sonya White
sonya@ucip.utah.gov
(801) 307-2113

Fair Directors, Insurance Coordinators, County Attorneys, Commissioners/Council Members over the County Fair, please plan to attend UCIP's training designed to help make your Fair experience more risk free.

If you are unable to attend in person a telephonic conference has been set-up for this training. Please register by emailing or calling Sonya White. Training is free to Pool Member officials and employees.

Utah Counties Insurance Pool

Payments

March 18, 2011 - April 15, 2011

Type	Date	Num	Name	Memo	Amount
ML Expense					
Liability Check	3/30/2011	ONLINE	QuickBooks Payroll Service	Created by Payroll Services on 03/24/2011	-13,575.97
Liability Check	3/31/2011	ONLINE	United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 2701490739698...	-5,121.80
Liability Check	3/31/2011	ONLINE	Utah State Tax Commission	Submission ID: WEB11033000532	-1,724.08
Liability Check	3/31/2011	ONLINE	Utah Retirement Systems	Unit No: 864 (MAR 2011)	-6,777.61
Liability Check	3/31/2011	ONLINE	Nationwide Retirement Solutions	Entity: 644013	-2,115.34
Liability Check	4/14/2011	ONLINE	QuickBooks Payroll Service	Created by Payroll Services on 04/08/2011	-13,370.01
Check	3/28/2011	VISA	Wells Fargo	Account Number: 4856 2002 0633 9635	-148.95
Check	3/28/2011	VISA	Wells Fargo	Account Number: 4856 2002 0869 3567	-556.54
Check	3/25/2011	5916	Kay Blackwell	Expense Reimbursement	-1,122.33
Check	3/25/2011	5917	Gary Anderson	Mileage Reimbursement	-198.90
Check	3/25/2011	5918	Kent Sundberg	Mileage Reimbursement	-40.80
Check	3/25/2011	5919	Jim Eardley	Mileage Reimbursement	-40.80
Check	3/25/2011	5920	Bret Millburn	Mileage Reimbursement	-306.00
Check	3/25/2011	5921	Jerry Hurst	Mileage Reimbursement	-31.88
Check	3/25/2011	5922	Cameron Noel	Mileage Reimbursement	-45.90
Check	3/25/2011	5923	Steven Wall	Mileage Reimbursement	-187.68
Check	3/25/2011	5924	Shaney Kelleher	Mileage Reimbursement	-149.94
Check	3/25/2011	5925	Office Depot	Invoice Number: 555393316001	-42.84
Bill Pmt -Check	3/25/2011	5926	Paetec	Invoice Number: 2380550	-86.31
Bill Pmt -Check	3/25/2011	5927	Revco Leasing Company, LLC	Invoice Number: 261607	-682.59
Bill Pmt -Check	3/25/2011	5928	Utah Association of Counties	Invoice Number: 20346	-815.89
Bill Pmt -Check	3/25/2011	5929	Whitney Advertising & Design, Inc.	Invoice Number: 14901	-2,115.00
Bill Pmt -Check	3/25/2011	5930	Utah Association of Counties	Invoice Number: 20358	-1,925.40
Check	3/31/2011	5931	PEHP-LTD	Coverage Period: March 2011	-1,350.00
Liability Check	3/31/2011	5932	Public Employees Health Program	Policy Number: 1076 (MAR)	-237.97
Liability Check	4/1/2011	5933	Opticare of Utah	Invoice Number: 7207	-7,229.44
Bill Pmt -Check	4/1/2011	5934	Western AgCredit	Invoice Number: 4-2011	-76.02
Bill Pmt -Check	4/7/2011	5935	TCNS, Inc.	Invoice Number: 4032	-10,788.00
Bill Pmt -Check	4/7/2011	5936	Arthur J. Gallagher & Co.	Invoice Number: 94862	-687.91
Bill Pmt -Check	4/7/2011	5937	Disability Law Center	FMC Scott Berry Speaker Fee	-2,106.35
Bill Pmt -Check	4/7/2011	5938	Larson & Rosenberger	Invoice Number: 60494	-150.00
Bill Pmt -Check	4/7/2011	5939	TCNS, Inc.	Invoice Number: 4123	-14,738.75
Bill Pmt -Check	4/8/2011	5940	Marsh USA Inc.	Invoice Number: 381678	-122.50
Total ML Expense					-29,575.00
TOTAL					-118,244.50

